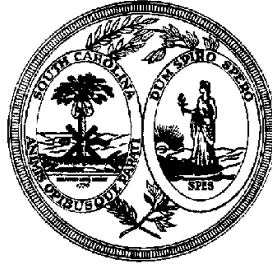


SOUTH CAROLINA DEPARTMENT OF INSURANCE



2007 INSTRUCTIONS

COUNTY MUTUAL TAX RETURNS

READ CAREFULLY – IMPORTANT INFORMATION

Users of Computer Software Applications for tax preparation must be sure that the company code, the state of domicile, the company name, NAIC code number, Biennial License Fee, Biennial Fixed License Fee and amount of Quarterly payments appear on the tax form. Failure to enter all of the required information may result in an incomplete filing and subject to penalties.

Note: Only insurers and health maintenance organizations domiciled within the State of South Carolina are required to file a hard copy of their 2007 Annual Statement and hard copies of their 2008 Quarterly Statements with this Department.

1. Round taxes to the nearest dollar.
2. Round premiums to the nearest dollar.
3. Tax return must be typed.
4. Tax return should be printed on **yellow paper**. Photocopies or reprints in other colors will not be accepted.
5. Submit one check only per company payable to the South Carolina Department of Insurance. Sign, notarize, and provide name and telephone number/extension (**toll-free where possible**) and e-mail address, if applicable, of person preparing tax return. **Please print name below signature.**

Annual tax returns are due in this Department on or before March 1, 2008 (date stamped by this Department, not postage date). Tax returns received by this Department without all required attachments and information will be rejected. Resubmitted tax returns received after the due date will be considered late.

Compliance with South Carolina requirements is the Company's responsibility. Failure to comply could result in an administrative fine of up to \$30,000. Your attention is directed to S.C. Code Ann. §§ 38-2-10 and 38-5-130.

Schedule 01 - South Carolina Taxes and Obligations (All Insurers)

1. Enter the Biennial License Fee of \$800.00 on Schedule 01 Line 0101. (Refer to S. C. Code Ann. § 38-7-10 (A). **License fees will be collected March 1, 2008.**
2. Enter the Biennial Fixed License Fee from Schedule 03. (The Biennial Fixed License Fee when operating in one county is \$40.00 and when operating in two or three counties is \$100.00.)
License fees will be collected March 1, 2008.
3. Enter the total amount of quarterly taxes paid in June, September and December 2007 on Schedule 01 Line 0160.
4. Enter South Carolina taxes due in Schedule 01. This Schedule is a recapitulation of the other Schedules on the return.
5. The figure in Line 0199 is the amount you should remit for payment. If the total amount of taxes due is negative, a refund will be issued. **Do not apply to next quarter.**

Schedule 02 - Computation of Retaliatory Taxes (Foreign Insurers Only - Not Applicable to County Mutuals)

South Carolina law requires that retaliatory taxes for foreign insurers be calculated by the use of an aggregate approach instead of an item-by-item approach. The aggregate requirements imposed by the foreign state for the privilege of doing business therein, including taxes levied under local ordinances, are compared with the aggregate requirements imposed in South Carolina for the privilege of doing business here, including taxes levied under local ordinances.

Complete Column A showing all taxes, fees, assessments and obligations due in this State. Complete Column B showing all taxes, fees, assessments and obligations a South Carolina insurer would be required to pay your Domiciliary State under identical conditions. If the foreign state's aggregate total is greater than South Carolina's, the difference is collected from the foreign insurer as a retaliatory tax. If the remainder is negative, there is no retaliatory tax due.

A separate worksheet and/or home state tax return must be furnished showing rates, premium figures, and calculations. If this is not furnished, the Company may be subject to disciplinary action for failure to follow instructions.

Line 0209 - Municipal License Fees

A list of the cities and business license fees paid to each during **2007** must be furnished if an amount is shown in Column A Line 0209. A copy of the assessment sheet must be furnished.

Line 0210 - Second Injury Fund

A copy of the Assessment Certificate or check must be attached.

Schedule 03 - Biennial Fixed License Fee

1. A separate letter of request must accompany any change in Lines of Authority from previous year.
2. Enter the number of counties in which your company operates in the State of South Carolina.
3. The Biennial Fixed License Fee, when operating in one (1) county, is \$40.00.
4. The Biennial Fixed License Fee, when operating in two (2) or three (3) counties, is \$100.00.

The amount of the Biennial Fixed License Fee should be entered on Schedule 01 Line 0102.

Schedule 04 - Exhibit of Premiums and Dividends (To Nearest Dollar)

1. Review this Schedule carefully to ensure proper reporting of premiums. Round premiums to the nearest dollar.
2. Use whole dollars – no cents.
3. Indicate negative figures by parentheses () only.
4. Be certain that the figures balance to the TOTAL line 99.99 when added.
5. Mobile Home Premiums should be reported as follows:
 1. Premium for coverage on mobile homes at fixed locations should be reported as Homeowners Multiple Peril and Farmowners Multiple Peril as applicable.
 2. Premium for coverage on mobile homes in transit should be reported as Inland Marine.
 3. Premium for coverage on motor homes, travel trailers, etc., should be reported as Private Passenger Auto Physical Damage and Private Passenger Auto Liability as applicable.
6. Premiums for Federal Flood should be reported on the tax return on line number 02.30.
7. Premiums for Glass should be reported on the tax return under Allied Lines (02.10).

Schedule 05 - Insurance Premium Taxes (To Nearest Dollar)

1. Negative premiums generate zero taxes.
2. Report **NET** premiums (direct premiums less dividends) and multiply by tax rates.

Schedule 06 - Insurance Premium Tax Credits Allowable - Attach Assessment Certificates

Act 231 of 1996 allowed certain tax credits for insurers to spur economic growth and development in certain areas of South Carolina. Most of these credits correspond with credits to tax liabilities offered in Chapter 6 of Title 12 of the South Carolina Code. These credits should be reported in Schedule 06 on the South Carolina Premium Tax Return. Credits cannot reduce the company's tax liability below zero. Refer to www.sctax.org, Forms and Instructions, Current Forms and Instructions, Corporate Tax Return and then Tax Credits for explanation of credits and forms. Appropriate schedules should be furnished.

Schedule 07 - Fire Inspection Tax, Fire Department Tax, and Fire Maintenance Tax

1. Use whole dollar amounts.
2. Report **Net** premiums and multiply by percentages listed.
3. Do **not** use negative figures in the "Taxable Premiums" column.
4. Total Net Fire Premiums Taxable, Line 0798, must be the same as Schedule 08, Total, Line 0899.
5. Multiply the total net fire premiums taxable by the FI/FD/FM tax rate of 2.35% and round to the nearest dollar.

Schedule 08 - Distribution of Net Fire Premiums (To Nearest Dollar)

1. Use whole dollar amounts.
2. The total of all county premiums, Line 0899, **must be the same** as the Total Net Fire Premiums Taxable in Schedule 07, Line 0798.

Please Note: Schedule 08 Distribution of Net Fire Premiums. If the county distributions vary 10% from last year, whether an increase or decrease, a written explanation must be attached to the tax return.

****Refer any questions on premium taxes to Gloria Akram gakram@doi.sc.gov or (803)737-6136, or to Mary Sturkie msturkie@doi.sc.gov or (803)737-6082. ****